2012 Brazil Corporate Social Responsibility Report

CISCO

We understand that sustainable, transformational growth is at the heart of the Brazilian government's economic development plan, as the country aims to become the fifth largest economy by 2016. Cisco is proud to be a strategic partner for Brazil.

Message from Rodrigo Dienstmann

Cisco brings to the Brazilian economy the human expertise and technological capabilities that advance sustainability and can multiply social impact through the innovation and economic growth that the country is pursuing. We have a comprehensive corporate social responsibility (CSR) strategy that aligns to the Brazilian government's priorities in education, healthcare, and social inclusion.

Cisco CSR, based on the theme of You + Networks = Impact,[X] focuses on five key pillars: Governance and Ethics, Supply Chain, Our People, Society, and the Environment. This framework provides the structure through which we align our priorities with those of Brazil. For example, our social investment programs aim to bring improved healthcare and human capacity development to underserved communities around the world.

We believe that human capacity is best developed through education and social inclusion. In Brazil, a clear opportunity lies in our ability to train the next generation of networking professionals. According to global research firm International Data Corporation (IDC), in Brazil there was a 22 percent gap between supply and demand of networking professionals in 2011 that will increase to 32 percent by 2015. This shortage represents over 100,000 qualified networking professionals by 2015. The Cisco Networking Academy program in Brazil, which has enrolled approximately 115,000 students to date, addresses the networking skills gap and stimulates economic growth. We are achieving this by developing a highly skilled workforce with employable skills, and by providing alternatives for marginalized populations through digital inclusion.

In Brazil, geographic distances and lack of medical personnel pose healthcare challenges that can be improved by ICT. We have identified children's healthcare as a focus area, and our objective is to improve access to care through collaboration and cloud technology. We will partner with academic institutions, local healthcare authorities, nongovernmental organizations (NGOs), and other potential partners to define new models of care using Cisco connected collaboration solutions.

In 2012, Rio+20 raised the profile of environmental issues within Brazil, and highlighted biodiversity and water as emerging challenges. The Planetary Skin Institute, which addresses issues of resource scarcity, is a key initiative in Brazil that Cisco has been involved with from the start.

Brazilians believe in the power of technology. They represent the world's fifth–largest number of Internet users, according to the International Telecommunication Union (ITU). As part of our Governance and Ethics efforts, we are working to provide a secure foundation of data protection and privacy for the Brazilian people to expand their ICT capabilities.

In Brazil, Cisco's equation You + Networks = Impact^X is alive and well. Our integrated business and CSR strategy helps guide us as we aim to become a trusted partner with key institutions, including the Brazilian government, and other stakeholders in Brazil's pursuit of long–term, sustainable development.

Rodrigo Dienstmann
Presidente da Cisco do Brasil

"Cisco's true value is not in what we make, but in what we make possible. Our business innovation underpins our CSR performance and as innovation occurs, we are helping break down the barriers that stifle economic growth and stall environmental sustainability. Education and the Internet are two great equalizers, and through the use of technology—as well as in collaboration with our employees, partners and governments—we are transforming lives."

John Chambers
Chairman and CEO

"The technology, partnerships, and expertise that Cisco uses to help its customers also play a critical role in multiplying positive impacts for society and the environment. Through our people and technology networks, Cisco has the ability to address pressing global issues such as access to healthcare, underperforming education systems, and increasing greenhouse gas emissions."

Tae Yoo
Senior Vice President of Corporate Affairs

Governance and Ethics

Cisco's commitment to ethical conduct and strong corporate governance has helped us build a resilient company with a globally recognized corporate social responsibility (CSR) program. Our leadership team—including local leaders in Brazil—is committed to all aspects of CSR, and we aim to contribute to sustainable development goals by making our CSR strategy part of our core business.

CSR Management

Cisco manages CSR activities with the help of internal subject matter experts and external stakeholders. Their expertise and insights help us focus on the areas that are most important to our business and the people and communities with whom we interact.

Collaboration
Cisco uses the input of external stakeholders in developing our CSR strategy and initiatives as well as continuing to improve our CSR reporting. They help us align our business more closely to society's needs and prioritize issues while giving us valuable insight into external perspectives, building ongoing relationships with key influencers, and providing learning opportunities.

Cisco holds annual, global stakeholder engagement sessions that bring together stakeholders from around the world through Cisco TelePresence. In FY12, we held our first country-specific session with Brazilian stakeholders representing academia and nongovernmental organizations. The session was scheduled to closely follow the Rio+20 Earth Summit (see case study on page 7). Stakeholders recognized that Cisco's strength is using technology to support sustainable development.

Code of Business Conduct

Ethical business conduct is crucial in helping us attract and retain customers, business partners, and talented employees. As the world changes, new products and services carry new ethical challenges. Integrity remains one of our most fundamental core values and drives our commitment to uphold high standards on ethics and human rights.

The Cisco Code of Business Conduct defines our expectations for our employees' ethical behavior. It provides information about our policies and procedures, guidelines for decision–making, and real–life examples of potential work–related ethical dilemmas.

Compliance

Each year, all regular Cisco employees (in countries where this is permitted by law, such as Brazil) are required to recertify their reading of and compliance with the Code of Business Conduct, to refresh their commitment to the highest standards of ethical conduct, and to read updated information on any changes Cisco has made to the Code. The Code is updated each year.

Human Rights

We support the Universal Declaration of Human Rights and the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anticorruption.

In FY12, we developed a roadmap to address human rights more systematically across our organization. It applies the framework and recommendations put forward by the Guiding Principles on Business and Human Rights developed by UN Special Representative John Ruggie and endorsed by the UN Human Rights Council. Our human rights roadmap covers four critical areas: policy, governance, due diligence, and remediation.

One of the first steps in our roadmap was to create a global human rights policy that spells out our commitment to human rights and outlines our approach in relevant impact areas. The executive sponsor of the policy is Randy Pond, Executive Vice President of Operations, Processes, and Systems.

Privacy and Data Protection

Responding to concerns about the privacy and security of data is increasingly critical for Cisco. We are moving to an interconnected "world of many clouds," which changes the way people and organizations store and share information. This is even more important in industries such as healthcare, a national priority in Brazil, which can bring extensive social benefits but only if patients and doctors are confident that their personal information is secure. Our robust data security measures are continually evolving to meet new challenges, and we work to raise awareness about potential security risks among employees, government, other organizations, and customers.

Privacy in a world of many clouds

The growing popularity of cloud (Internet-based) computing is changing the way organizations and individuals share data. It is crucial to our business that we maintain the trust of our customers, partners, and employees as we build our offerings in this area. Our cloud security offerings include:

- Capabilities to help cloud service providers and subscribers secure their cloud infrastructure

- Cloud–based email, web, and threat intelligence security for customers

- Secure cloud access to help organizations control access to resources and software hosted in the cloud, enabling a trusted cloud environment

- Compliance with current regulations regarding privacy and data protection

Cisco's Cloud Computing website features a range of videos dedicated to cloud. Watch "Protecting All Types of Clouds" for more information on how Cisco protects privacy.

For full details of our CSR program, read Cisco's 2012 CSR Report, available at http://csr.cisco.com/.

Eye On Rio: Beyond Rio+20

Cisco supported the sustainable development aims of the Rio+20 Earth Summit in June 2012 and contributed to the debate at the accompanying UN Global Compact Corporate Sustainability Forum.

We focused on the role of technology in reducing disaster risk and building resilience. Cisco is a member of the UN Office for Disaster Risk Reduction's Private Sector Advisory Group and leads the private sector team on the UN Making Cities Resilient campaign.

Cisco is also a corporate partner in the Regeneration Roadmap project, a collaborative and multifaceted initiative developed by CSR research company GlobeScan and think tank SustainAbility. It aims to promote sustainable development within the next generation, focusing in particular on how the private sector can improve sustainability strategy, increase credibility, and deliver widespread results more quickly. This project will be an important part of our approach to encouraging sustainable development in Brazil.

Supply Chain

Cisco expects our suppliers to meet the same high standards on ethics, labor rights, health and safety, and the environment that we apply to our own people and operations. We use our relationships with our network of suppliers and peer companies—including those in Latin America and Brazil—to multiply our impact on sustainability in the information and communications technology (ICT) supply chain.

Cisco's Global Supply Chain

The manufacturing of our products is entirely outsourced by a network of more than 600 suppliers and peers. Cisco has two manufacturing partners in Brazil (see map on page 9), which produce finished Cisco products.

Supply Chain Responsibility

We recognize that our customers and other stakeholders have a growing interest in sustainability issues in the supply chain. By increasing transparency and addressing sustainability in the supply chain, we build customer trust, reduce costs, secure continuity of supply, and protect our brand.

Cisco aims to multiply our influence on sustainability standards and performance throughout the supply chain by:

· Embedding sustainability into routine business practices at every stage of the product lifecycle that touches our supply chain

· Working with manufacturing partners, component suppliers, and logistics partners to build their capabilities for managing sustainability impacts and to improve performance

· Partnering with industry consortia to develop common standards and tools to address broader sustainability challenges in the ICT supply chain

Supplier Code of Conduct

We have adopted the code of conduct of the Electronic Industry Citizenship Coalition (EICC) as the Cisco Supplier Code of Conduct. This Code outlines our expectations of suppliers with regard to social responsibility and human rights, the environment, ethics and governance, health and safety, and related management systems. In 2012, we worked with the EICC to develop the latest version of the Code. We communicated this version to our suppliers and have asked for their continued commitment in adhering to it.

We monitor suppliers' compliance with the Code and help them improve their performance through third-party audits and corrective action plans, in accordance with EICC guidelines. Both of these enable us to identify trends and opportunities to help suppliers enhance their sustainability capabilities.

> **Corporate Objective:** Audit half of our high-risk manufacturing facilities and one-third of our high-risk component suppliers in FY13.

Supplier Scorecards

In FY12, we integrated sustainability criteria into our overall business scorecard for preferred suppliers for the first time. The scorecard is used to establish preferred supplier status and to monitor supplier performance. Sustainability now represents between 5 and 8 percent of the total score (depending on supplier type), alongside many other criteria such as technology, cost, quality, responsiveness, and collaboration.

As part of the scorecard, suppliers complete a sustainability survey, and their performance as a result of this survey is reviewed at least once per year as part of regular business reviews. Suppliers must maintain strong scores to earn and retain their status as preferred suppliers, and those that perform particularly well often gain more business from Cisco.
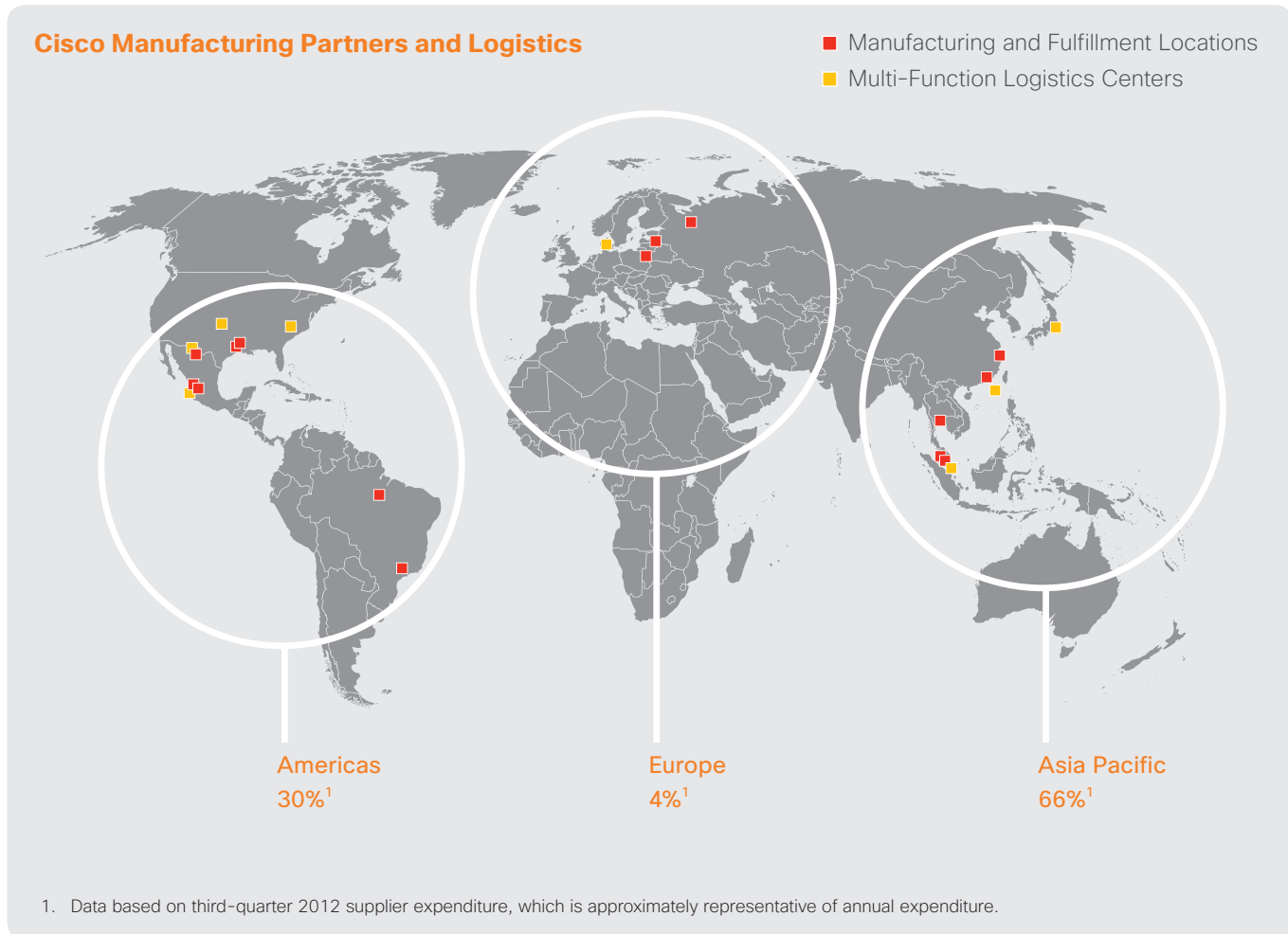
> **Corporate Objective:** 100 percent of preferred suppliers complete Cisco's supplier sustainability survey, enabling assessment of their sustainability performance in our business scorecards in FY13.

Collaboration

The toughest sustainability challenges cannot be resolved by one company alone. Cisco promotes responsible practices in the wider ICT supply chain through industry collaboration and participation in global industry consortia such as the Electronic Industry Citizenship Coalition (EICC) and the International Electronics Manufacturing Initiative (iNEMI). These forums enable Cisco to exchange ideas and pool resources with industry peers, share best practices, respond to stakeholder concerns, and influence the development of industry standards.

For full details of our CSR program, read Cisco's 2012 CSR Report, available at http://csr.cisco.com/.

Cisco Manufacturing Partners and Logistics

■ Manufacturing and Fulfillment Locations
■ Multi-Function Logistics Centers

Americas
30%[1]

Europe
4%[1]

Asia Pacific
66%[1]

1. Data based on third-quarter 2012 supplier expenditure, which is approximately representative of annual expenditure.

Our People

Working at Cisco is more than just a job. In Brazil, as in the rest of the world, we aim to build an engaged, talented, and motivated workforce. We work hard to inspire and engage our employees. Their ideas, energy, and commitment drive innovation and our success.

A Global Team

Cisco employees are experts in engineering, sales, and business support, with diverse backgrounds, skills, and experience. They work from more than 475 offices in 165 countries. At the end of FY12, we employed more than 66,000 people, 450 of whom are based in Brazil.

As we develop new technology and expand into growing markets like Brazil, it is vital that our workforce is equipped to capitalize on opportunities. This means that our managers must have the flexibility to move between teams and functions, our staff must develop transferable skills important to supporting our growth efforts, and our workforce must be ready to respond to new demands. Our commitment is to develop future leaders with transferable skills.

Working Together

Communication and collaboration are at the heart of our working environment. We rely on flexible, cross–functional teams that work together on new business opportunities. Our Collaboration Across Cisco program recognizes exceptional cross–functional teamwork and provides teams with opportunities for wider recognition.

In Brazil, collaboration occurs through networks of both people and technology. Examples include:

· Cisco Brazil's annual meeting: Held in July each year, our annual meeting brings together employees from around Brazil to align domestic strategies with global strategies and to celebrate efforts from the previous year.

· All Hands meetings: Held quarterly using Cisco WebEx with videoconference, All Hands meetings allow the sharing of quarterly results, new business strategies, and recent initiatives with all Brazil–based employees.

· WebEx Social: Cisco's global internal online community is used by all Brazilian employees.

Pulse Survey

We regularly seek input from employees to understand what motivates them and to learn how we can improve job satisfaction. Our annual Pulse Survey is one of the most important listening tools at Cisco. It is a confidential, online survey for all employees that helps leaders pinpoint employee concerns in 10 categories. The Brazilian results from our global FY12 survey revealed a positive, highly engaged employee base.

Pulse Survey Results		
Category	FY12 Global*	FY12 Brazil*
Employee Engagement Index	82	91
Collaboration	87	92
Respect for People	86	93
Communication	82	93
Organizational Alignment	73	84
Inclusion Index	82	90
Innovation and Excellence	78	87
Manager Index	84	91
Development	77	84
Recognition	72	77

* Scores are out of 100

Corporate Objective: Maintain employee engagement level at 82 percent or higher in FY13.

An Open And Diverse Culture

Fostering an environment of inclusion and diversity creates a culture that celebrates differences and unique ideas. Each employee brings his or her own life experiences, culture, talent, and perspective to Cisco. Together our diverse employees generate new ideas, promote better decision-making, and create a workforce that mirrors our customers and the diversity of Brazil.

Focus on women
The Connected Women in Technology employee resource group (ERG), a global employee network for female employees that focuses on women's development, is one of the company's most active ERGs in Brazil. The ERG aims to:

- Increase the numbers and roles of women in Cisco Networking Academy programs in Brazil
- Build the community of Cisco women through events and speakers

Employee Opportunities

A highly skilled workforce is imperative if we are to sustain our success. We recognize our employees' core skills and provide flexible learning opportunities to address their development needs and career aspirations. Our formal and informal learning and development opportunities support employees' success and encourage innovation. This, in turn, helps us retain top talent who have the necessary skills to respond to market developments.

Corporate Objective: Provide capability training for 90 percent of directors and people managers by FY14.

For full details of our CSR program, read Cisco's 2012 CSR Report, available at http://csr.cisco.com/.

Society

Information and communications technology (ICT) brings people together to spur innovation and improve livelihoods. By enabling collaboration between individuals and organizations, our technology provides access to essential information and services that improve healthcare and human capacity development.

Human Capacity Development

Cisco believes that human capacity development occurs through education and social inclusion. We aim to connect disengaged youth, and Brazil's most vulnerable populations, with opportunities to participate in an innovative, digital economy.

Global research firm International Data Corporation (IDC) has found that the demand for networking positions in Brazil will grow from approximately 240,000 jobs in 2012 to more than 360,000 jobs by 2015. To help Brazil meet that rising demand, Cisco is partnering with local government institutions, nongovernmental organizations, and other community organizations to bring collaborative technologies that promote digital inclusion and help to develop a highly skilled workforce with employable ICT skills.

Cisco Networking Academy
Cisco Networking Academy is our largest and longest-running education program, reaching millions of students from diverse backgrounds around the globe. It uses cloud computing technology to deliver scalable, high-quality ICT education that supports long-term, sustainable growth by preparing students for industry-recognized ICT certifications and entry-level ICT roles providing skilled networking professionals to support local economies.

Since 1998, 560 instructors have taught more than 105,000 students in 335 academies across Brazil. This equates to an in-kind contribution of over $37 million from Cisco Networking Academy in Brazil,[1] $4.4 million of which was contributed in FY12. Females account for 19 percent of students in Brazil, slightly lower than the global and Latin American averages, and the vast majority of courses are available in Brazilian Portuguese.

[1] Includes Networking Academy software, support, expertise, training, and design

As part of our approach to expanding the program in Brazil, we work closely with public partners and support NGOs that want to participate in the program. There are nearly 20 active NGO academies in Brazil that offer young people a path to career development in ICT. Last year, those partners brought more than a thousand underserved new students to the program. For each of these NGOs, Cisco prepares instructors and delivers assistance to help them become self–sustaining academies, thereby giving them an opportunity to provide training to students free of charge. Cisco also provides activities that help the students to better understand the job market and learn about Cisco technologies.

Examples of key academy partnerships in Brazil include:

- **SOS Children's Village:** This program provides shelter for vulnerable children and orphans, and aims to empower communities. It operates in 17 Brazilian cities and became a Cisco Networking Academy in May 2011. We are running a pilot program with SOS Children's Village in São Paulo and Rio de Janeiro to offer basic ICT training, with a view to expand throughout Brazil in coming years. So far, 129 students have completed the IT Essentials course.

- **Associação Comunitária Despertar:** The "Community Awakening Association" provides artistic, cultural, sport, and professional courses to underserved children and adolescents in São Paulo. A Cisco Networking Academy since 2010, the organization has educated 324 graduates, helping to create opportunities for young people starting their careers.

- **Centro de Integração Empresa Escola (CIEE):** This organization pioneered the concept of internships as a complementary activity for youth job placement in Brazil. With over 400 offices in Brazil, CIEE manages 250,000 student internships across the country. Cisco is collaborating with CIEE to improve the ICT skills of students before they begin their internships.

- **Centro Paula Souza:** The "Paula Souza Center" manages 210 technical schools and 56 colleges in 159 municipalities throughout the state of São Paulo. In late FY12, the center partnered with Cisco Networking Academy to deliver ICT training to its 56 colleges. We plan to replicate the model for the center's 210 technical schools, eventually reaching nearly 20,000 students.

- **SENAC and SENAI:** The Serviço Nacional de Aprendizagem Comercial (National Service for Commercial Training–SENAC) and the Serviço Nacional de Aprendizagem Industrial (National Service for Industrial Training–SENAI) form a national network of educational institutions. These institutions work with federal and local governments to offer people short–term technical courses. Cisco Networking Academy has partnered with SENAC and SENAI for over ten years, bringing more than 80 academies to approximately 40,000 students around Brazil.

- **Programa Jovem Tec:** Launched in 2009, the "Young Technicians Program" provides ICT education and internships to public school students aged between 16 and 21. Programa Jovem Tec partners with both São Paulo state and city governments, and has trained more than 1000 students. The program will reach an additional 500 students by the end of 2013.

> **Corporate Objective:** Continue to strengthen the new program architecture for supporting local Networking academies that was introduced in FY12.

Eye On Rio: Building Knowledge

Working with the local government is fundamental to our approach to connect marginalized communities in Rio, and to build the ICT skills of vulnerable people. Cisco is a technology partner of the Secretary of Science and Technology on two key projects.

Community Knowledge Centers (Praças and Naves do Conhecimento) is a project introduced in December 2011 to the Nova Brasilia community in Rio de Janeiro, which has developed community centers focused on providing cultural and educational opportunities to young people. Led by Rio's City Hall, the program now operates 15 community centers in other underserved regions and favelas across Rio. Cisco Networking Academy is one of many initiatives that the community centers offer. By the end of June 2013, we anticipate providing ICT skills to more than 300 young people.

Cisco is working closely with the Secretary of Science and Technology, the agency that administers the community centers, to help fulfill the Mayor of Rio's vision of further integrating marginalized communities.

The Secretary of Science and Technology is also providing critical ICT skills to underserved populations through the Casa Rio Digital initiative. As a Cisco Networking Academy Instructor Training Center, the secretariat has 20 locations throughout the city and trained 150 student graduates in FY12.

Global partnerships, local programs

Partners are vital to Cisco's corporate approach to CSR. We work with a number of global organizations to support projects that bring people together through technology to encourage innovation and entrepreneurship, deliver critical goods and services, improve education and healthcare, and create economic opportunities for people around the world. Many of these global partnerships have local programs in Brazil.

One Global Economy

One Global Economy is a global NGO that helps low–income people access information, skills, and resources to make informed decisions and improve their lives. Cisco has supported the development of several initiatives led by One Global Economy, including The Beehive, a multilingual portal that helps people find localized information about health, education, business, and more.

The local version of The Beehive, Infofacilbrasil.com is the first joint initiative between One Global Economy and Cisco in South America. The site was launched in August 2012, and has received nearly 300,000 visitors so far.

Teachers Without Borders

Teachers Without Borders (TWB) is an international organization that aims to eliminate educational inequities, particularly in developing nations, by training teachers and sharing information with them. In January 2013, ICT skills were taught to 12 teachers from São Paulo public schools using Cisco WebEx. Cisco also supported TWB's efforts to offer 35 São Paulo teachers the organization's Certificate of Teaching Mastery, a five-course professional development program that helps teachers improve their professional knowledge and classroom practice.

> **Corporate Objective:** Continue to support and engage in programs that increase the number of students studying Science, Technology, Engineering and Mathematics (STEM) subjects at primary and secondary school levels through partnerships with nonprofit organizations and NGOs.

Healthcare

ICT is transforming healthcare by helping to improve efficiency and reduce costs for healthcare providers and by increasing access to healthcare for people in remote and rural areas. Networking technology such as Cisco HealthPresence connects patients and doctors regardless of distance, providing a way for local healthcare services to reach more people and enable them to deliver more and better healthcare services.

In Brazil, Cisco has identified collaborative children's healthcare as a focus area for healthcare–related CSR. Our objective is to improve access to healthcare through collaboration and cloud technology, aligned to specific legal requirements, using three models:

- Patient–to–physician collaboration, which will improve access for patients and families
- Primary care–to–specialty care collaboration, which will improve education and training for care teams
- Physician–to–physician collaboration, which will improve decision making in healthcare centers of excellence

We will be running a pilot in the state of Sergipe that will test each of these models. In the long term, the success of this pilot will help to transform quality and accessibility of healthcare. It will improve the quality of life for children with common and rare diseases, and establish a model for other states in Brazil and beyond.

Examples of key healthcare partners in Brazil include:

- Universidade Federal de Sergipe (The Federal University of Sergipe)
- Secretaria de Estado Saude (Secretary of Health for the State of Sergipe)
- Family Clinics in the cities of Lagarto and Tobias Barreto

Employee Engagement

We encourage employees to engage with their local communities and support projects they are passionate about and that align with Cisco's CSR focus areas. Volunteering on projects that use their networking skills and enthusiasm helps employees build strong relationships with our communities and partners and strengthens our reputation as an active corporate citizen. Partner organizations benefit from our employees' expertise to improve the way they operate and free up resources.

Civic councils

Our Community Relations team works with Cisco Civic Councils (groups of employee leaders who champion social investment in their local communities) to identify volunteer opportunities, manage community product and cash grants, and maintain partnerships with nonprofit and nongovernmental organizations. The Cisco Foundation matches employee contributions of up to $1000 per year per employee and volunteering at $10 per hour up to $1000 per year per employee (and up to $10,000 for employee volunteer teams) for more than 2600 approved organizations in over 40 countries.

Skills–based volunteering supports our employees' leadership development. Each Civic Council is led by an executive as well as a chair and co–chair, positions that present opportunities to develop skills required for Cisco's performance framework, C–LEAD (Collaboration, Leadership, Execution, Acceleration, and Disruption).

We encourage employees to include volunteering objectives in their personal development plans, and we encourage managers to organize service projects as part of team–building events. In FY12, employees globally volunteered 107,150 hours, compared with 166,445 in FY11. Cisco experienced a very high rate of volunteerism in FY11 due in part to a volunteer challenge in celebration of the company's 25th anniversary.

In FY12, we launched Cisco Volunteer,[x] a yearlong program that aims to encourage Cisco's leaders to support their communities and inspire volunteering among employees companywide. Launched at our annual senior leader meeting in May 2012, more than 1000 people volunteered over 2700 hours to support 36 different projects at 20 locations worldwide. Competition among functions and regions is encouraged, with the winning function and region each receiving $25,000 grants for the organization of their choice.

Cisco's Civic Council in Brazil collaborates with two nonprofit organizations, Alquimia (The Alchemy Project) and Casa Modelo de Apoio a Criança com Câncer (Home to Support Children with Cancer), to organize events for underserved youth.

For full details of our CSR program, read Cisco's 2012 CSR Report, available at http://csr.cisco.com/.

Environment

We believe that information and communications technology (ICT) can both improve living standards and reduce resource waste in Brazil and around the world. We continue to learn more about the impact on the environment from our operations, our supply chain, and our products so that we can both reduce negative externalities and create opportunities for greater efficiencies.

Overview

Innovation is at the core of Cisco's environmental sustainability initiatives. With advanced products and solutions and updated business processes, we are multiplying the impact of the network to create sustainable business models and increased economic opportunity.

At Cisco, the interplay between innovative business practices and sustainability is being embedded in every business function. Just as we learned in the 1970s and 1980s that quality must be managed as a core business function, so it is with sustainability. Like the commitment to quality, sustainability must become part of every business practice and decision. Just as industry discovered that improved quality generates profits, Cisco believes that improved sustainability brings benefits to our business, our customers, and the planet. Our relationship with our customers is now based on cost, quality, delivery, service, and sustainability.

Environmental Issues In Brazil

Several issues threaten Brazil's natural environment, and feature prominently in Brazilian public opinion. According to GlobeScan, a social research firm, and World Wildlife Fund, a leading environmental nongovernmental organization, the most pressing issues in Brazil include:

- Air pollution/automobile emissions
- Climate change
- Deforestation, endangered species, and loss of biodiversity
- Depletion of natural resources
- Shortages of fresh water/water pollution
- Waste disposal

We understand that these issues are interconnected and critical, and we work to limit our impacts on all of them. Below, we outline our approach to addressing environmental issues that are relevant to both Cisco and Brazil.

Air pollution/automobile emissions

Our remote collaboration solutions promote "dematerialization," or replacing the physical with the virtual, reducing the need for business travel and employee commuting, and thereby helping to reduce local air pollution. Remote collaboration also increases productivity, improves employee work–life balance and job satisfaction, and reduces GHG emissions. Our collaboration solutions that promote dematerialization include Cisco TelePresence and Cisco WebEx, among others.

Climate change

Energy and greenhouse gas (GHG) emissions are the most important and complex environmental issues for Cisco. The issue of energy consumption includes not only our own operations but also the extended operations of our supply chain partners that we use for manufacturing, component supply, and logistics. Product life cycle analyses indicate that the use phase of typical network products can make up about 90 percent of the carbon footprint associated with products. We believe that by reducing our operational footprint, as well as innovating in our products and services that promote energy efficiency and waste reduction, we can help reduce GHG emissions in other industry sectors.

Influencing customers

We are collaborating with our customers, including some of Brazil's largest financial institutions, telecommunications companies, and municipalities, to help them reduce energy use and GHG emissions in their own operations. We track the number of key Brazilian customers that report energy and GHG emissions through the Carbon Disclosure Project (CDP). By doing this, we can assess the level to which these customers have adopted, or are interested in adopting, sustainability practices, and target our support and product recommendations effectively.

Influencing suppliers

To influence and help reduce supply chain emissions, Cisco uses its business relationships to encourage our suppliers to report to the CDP. In FY12, 100 percent of our preferred manufacturing suppliers reported carbon emissions through the CDP. See Supply Chain on page 8 for more information about how we engage with and support our suppliers to improve their environmental impacts.

Corporate Objective: 100 percent of suppliers will set GHG emissions reduction targets by FY15.

Eye On Rio: Reducing Air Pollution

With the influx of visitors expected for the 2016 Olympics and the 2014 World Cup, Rio de Janeiro faces an increase in air emissions and heavy congestion from the surge in traffic. We are promoting greater use of products such as Cisco WebEx and Cisco TelePresence to residents to help reduce air pollution and traffic congestion, for everyone coming to Rio for the events.

Cisco will also help Rio to establish ambitious sustainability goals to be achieved during the Olympics and the years beyond.
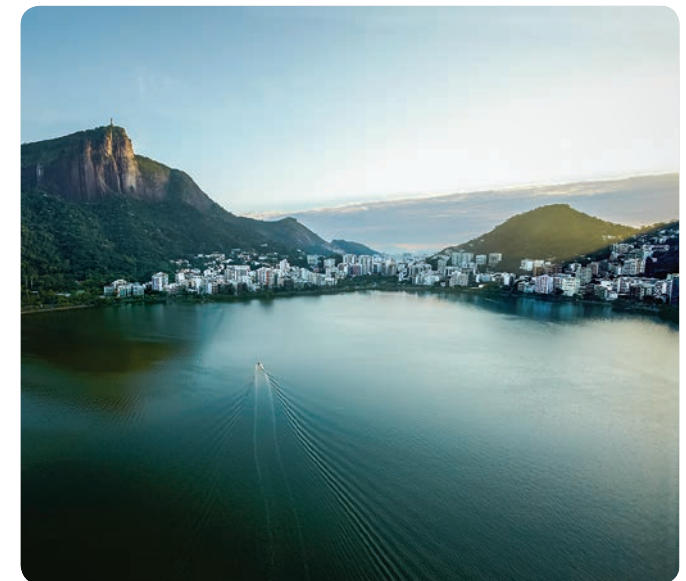
Deforestation, endangered species, and loss of biodiversity

At Cisco, land use for facilities and office–based operations represents our most direct impact on biodiversity in the regions in which we operate. Cisco mitigates this impact by reducing the demand for physical office space. Employee telework programs and other support solutions, such as Cisco Connected Workplace, Cisco Virtual Office, and OfficeExtend, are instrumental to our strategy. The flexibility of Cisco Connected Workplace and Cisco collaboration technologies reduces the demand for office space by more efficiently using existing space and enabling employees to work remotely while remaining productive.

Shortages of fresh water and water pollution

Because our headquarters are located in California, where water rights and usage are a significant issue, Cisco has always been conscious of water use in our operations. We minimize our water impacts through innovative strategies for reduction and reuse. Our efforts recognize the importance of locally relevant approaches to water management, such as in Brazil. But we are now also acting to institutionalize water management systems.

The key objectives of Cisco's water management program are to:

- Identify and respond to water conservation opportunities for our operations at the site level
- Work with partners such as local governments, water utilities, and owners of our leased buildings to pursue and replicate best practices in our operations and beyond

It is important to note that because the production of electrical power is one of the largest uses of fresh water worldwide, the largest opportunity for Cisco to reduce our impact on water resources is by continuing to make our operations, our suppliers' operations, and our products more energy efficient.

Depletion of natural resources

Two powerful trends are reshaping Brazil and the world. The first is resource scarcity, which is the result of an explosive growth in demand for resources (water, energy, food, fiber, minerals) as growing populations with rising incomes push against increasing constraints on the supply of these resources. The second trend is data abundance, which is created by an increase in low–cost sensor networks and network–enabled data collection systems, the explosion of social media data, and data mining capabilities.

Waste disposal

Product take–back, reuse and recycling, and product packaging are areas in which Cisco has the biggest opportunity to influence waste disposal around the world, including Brazil.

Our trade–in and take–back programs are designed to collect any item that Cisco or our acquired companies has put on the market. Cisco recycles 100 percent of the electronics sent to our e–scrap recyclers. For products that cannot be refurbished and reused, all commodity fractions go to downstream recyclers to be made into new products. This removes product from entering the waste stream in Brazil, while the resale of used product enables uptake of IT equipment to increase the availability and access to technology to a broader section of society. During FY12, Cisco's Reverse Logistics Group refurbished, resold, or reused over 3328 metric tonnes of products returned to Cisco, a 25 percent reuse rate.

Additionally, the growing amount of municipal solid waste being added to landfills from product packaging has become an area of environmental concern. To minimize Cisco's impacts in this area, our packaging team designs packages to protect against shipping damage while minimizing material usage.

For full details of our CSR program, read Cisco's 2012 CSR Report, available at http://csr.cisco.com/.

Planetary Skin Institute

Planetary Skin Institute (PSI) aims to address the challenge posed by resource limitations with the opportunity presented by the availability of data. PSI is a global nonprofit research and development organization, initially incubated by Cisco, NASA, and the Brazilian Ministry of Science, Technology and Innovation, among others, that aims to improve the lives of millions of people around the world by developing risk– and resource–management decision services. PSI collaborates with research and development partners to incubate replicable and scalable innovations that can significantly increase the resilience of communities; increase food, water, and energy security; and protect key ecosystems and biodiversity.

PSI aims to support the efforts of communities, governments, businesses, think tanks, international funding organizations, academic institutions, and other stakeholders by creating open–platform capabilities and tools that meaningfully advance the world's resource and risk–management capabilities. PSI is committed to the development of global public goods that address the resource scarcity challenge, reduce the complexity of the water–food–energy–land nexus, and address the increasing impact of weather extremes. PSI is currently being piloted in Brazil. See more details on the Planetary Skin Institute website.